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WASHINGTON STATE
GAMBLING COMMISSION

Focus on Gambling

We Need Your Help

By: Kathleen Mills, Financial Reporting Services Supervisor

We want to provide the information you need. We know your success requires that you know what is happening in the gambling industry. This is one reason we publish quarterly statistical booklets and an annual booklet each year. You can find these posted on our website, or you can request we mail you a hard-copy version.

We have been told many times that our state is one of the best in providing the information people need to know about the gambling industry. We want to be the best. We need your help to reach that kind of excellence!

You can have a hand in ensuring the most useful information is provided and building the best website.



Take a look on our website to see what we currently offer. You can get to our statistical information by going to www.wsgc.wa.gov:

- 1) Click on the third blue bar down - *License Info, Reports & Statistics*
- 2) Scroll down to *Statistics*
- 3) Select *Licensed Operators' Activities Statistics*
- 4) Click on the latest report (the first date underlined and blue)

Now you can see some of the information that can help you follow trends and make decisions in your business. We want to know your thoughts, so after you check out the site, please call and let us know what you like (what you don't want us to get rid of) and what you never use. Is there other information we could provide to help you?

You can reach us at (800) 345-2529, extension 3473, or if you are in Olympia, please call 486-3473. We look forward to hearing from you!

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Renewal Due Dates Have Changed

By: Laura Fricke, License Technician

Renewals are now due 15 days prior to the date your gambling license expires. In the past, a completed renewal application and fee have been due on the expiration date.

This change allows us to serve you better. Having a completed application and fees to us 15 days before your gambling license expires gives us time to process the renewal and get a license to you before your license expires. A valid license must be posted during hours of operation (WAC 230-04-450).

Please remember, in order to avoid delays in issuing your gambling license, make sure the application is complete, signed by the correct individual, and returned with the exact fees.

The required fee will be printed on the renewal notice for both the full year and, if eligible, for the two-part payment option.

We have also made changes to the second half payments. If the second half payment is not received on or before the six-month expiration date, the ability to use the two-part payment plan the next time your license is renewed will be suspended for one full year. The renewal notice will reflect the full year fee without a two-part breakdown. If the two-part payment plan is paid late a second time, you will no longer be able to use the two-part payment plan.

If you do not receive your renewal notice and gambling application 30 days prior to your license expiring, please notify us so we can get an application to you prior to your license expiring. If you do not have a valid license, you must stop all gambling activity.

If you need to change your license class, please contact us for approval and the correct fee to pay.

If you have any questions, please call (800) 345-2529.

Card Room Robbery!

By: Keith Wittmers, Card Room Coordinator/Special Agent, Tacoma Field Office

Recently a card room was the victim of an armed robbery that resulted in a substantial loss of money for the operator. That being said, it is important for all operators to review their security procedures to ensure safeguards are in place to protect against this happening.

Discuss this type of situation with your employees and make sure they are all aware of your procedures. This goes for cage cashiers, security, surveillance, gaming operations, even maintenance workers. There is no such thing as being over-prepared when a critical incident occurs. Hopefully, you will never have to implement the plan, but a plan should be in place for all to follow.

We Want Your Feedback

By: Collene Kiefer, Supervisor, Licensing Services Division

If you've recently been in the Lacey Headquarters office, you may have noticed customer service feedback forms were available at the service counter and interview rooms.

In the near future, we will be mailing feedback forms to some of you to find out what we are doing right and where we can improve our customer service.

We encourage everyone who comes into our office, and those that receive the feedback form in the mail, to please take a moment to fill it out and return it to our office. The postage paid feature allows you to comment free of charge. If you wish to remain anonymous, you can do so.

Your input is informative and helpful for improving our customer service procedures. Comments received so far have been helpful in preparing our agency's Strategic Plan for the future. Thanks to everyone that has participated in the feedback program and we look forward to receiving more surveys from applicants and licensees.

2003 Legislative Session

In the October – December 2002 edition of the newsletter, we mentioned that Governor Locke had announced combining the Gambling and Horse Racing Commissions into one agency called the Department of Gaming, as part of his proposed budget. This proposal was brought forward as House Bill 1446. On February 28, 2003, the Commission issued a position statement opposing House Bill 1446. At the time this newsletter was published, this bill was not moving. However, any bills that could generate revenue or save money can be considered until the end of session. Therefore, this proposal may be considered further.

(Continued on page 8)

Disclosures Required From Your Financier

By: Special Agent Michele Chewerda, Financial Investigations Unit

In 2002, we saw the economic conditions drive down interest rates to record and near record lows. Many of us took advantage of these extremely low interest rates by refinancing existing loans and/or obtaining new loans. Did you know that your gambling license could be affected by the source of your loan?

WAC 230-12-305 (4) requires all gambling licensees to disclose all loans from other than recognized financial institutions, which individually or collectively exceed a total of \$2,000 during a calendar year. This is just the first step in disclosing non-bank loans.

After the commission receives notification of your new loan, several things happen. First, we check our records to see if the financier has loaned money to other gambling establishments and/or gambling locations. If the financier has done this, he qualifies as a Service Supplier as defined by WAC 230-02-205 (1)(c). The financier is then required, by WAC 230-04-119, to apply for and obtain a Service Supplier license with the Commission, before providing financing to the second licensee.

If the financier does not meet the definition of a Service Supplier, WAC 230-02-300 is checked to see if the financier meets the definition of Substantial Interest Holder. Most financiers, who are not Service Suppliers, will meet the definition of Substantial Interest Holder. Substantial Interest Holders are required by WAC 230-04-022 (7) to disclose sufficient personal information to ensure they are qualified to participate in a licensed gambling activity. This usually means that the Commission will require the financier, and his/her spouse, to complete and return to the Commission the Personal/Criminal History Statement, the Financial Statement, and the Source of Funds Statement. RCW 9.46.140 (1)(b) states that the Commission may inspect the records of any person lending money to or in any manner financing any licensee. This may be done by, but is not limited to, reviewing the financier's bank statements and tax returns.

(Continued on page 4)

WSGC Mission Statement:
Protect the public by ensuring that gambling is legal and honest.

Rule Changes Adopted by the Commission at the April 2003, Meeting

Digital Surveillance For Card Rooms

Card rooms will soon be able to use digital technology to record surveillance. Currently, only VHS tapes are authorized. **This change becomes effective July 1, 2003. Copies of these rules will be mailed to only card room operators.**

If you're not a card room operator and would like a copy, please call Chris Kaufman at (800) 345-2529, extension 3470, and he will mail you a copy.

Rule Changes Discussed at the April 2003, Study Session

These rules are posted on our website with the April 10, 2003, Study Session Agenda.

Minimum Capitalization and Bankroll

This amendment would require card rooms to show there is enough cash on hand to operate prior to opening.

Audits/Review of House-Banked Card Room Financial Statements

This amendment would require house-banked card rooms with gross receipts over 3 million to submit *audited* financial statements, while card rooms with gross receipts of 3 million or less would submit *reviewed* financial statements.

Purchases on Credit

Clarifies that only larger gambling equipment may be purchased on credit, not "disposable" gambling items such as cards and chips.

Jackpots

Clarifies that all money removed from a jackpot must be used to purchase merchandise prizes or it must remain in the jackpot account. This ensures that jackpot winners receive the full amount of the prize.

If you would like to comment on any proposed rule change, please submit your comments in writing to: Susan Arland, Rules Coordinator, P.O. Box 42400, Olympia, WA 98504, or e-mail Susana@wsgc.wa.gov

Rule Changes Discussed by the Commission at the April 2003, Meeting

These rules are posted on our website with the April 11, 2003, Commission Meeting Agenda.

ALL OWNERS/OPERATORS

Financial Reporting by Licensees: This proposed amendment would require contributions of *cash, assets and draws from lines of credit* to be reported. Additionally, the loan/contribution amount to be reported would be increased from \$2,000 to \$10,000. **We anticipate the Commission will adopt this proposal at the May meeting to become effective July 1, 2003.**



MANUFACTURERS

Equipment Review and Approval: This rules package set forth guidelines for reviewing and testing equipment. **We anticipate the Commission will adopt this proposal at the May meeting to become effective July 1, 2003.**

BINGO OPERATORS

Adjusted Cash Flow – Petition and Variance Procedures: If a bingo operator doesn't return a minimum amount of gambling proceeds to their stated purpose, administrative charges revoking the gambling license are issued. The licensee may petition the Commission for a variance from the minimum requirements. If denied, the licensee still has the right to a hearing before an Administrative Law Judge (ALJ) and appeal rights to the Commission. This is the same process used for other administrative cases.

There has been a lot of discussion about this proposed amendment at the Meetings!

If this amendment were adopted, the petition and variance process would be removed. A bingo licensee would still be able to come before the Commission; however, this would occur after an administrative hearing before an ALJ, rather than through the variance process before an ALJ hears the case. **At the April meeting, the Commission held this rule over for further discussion at the May meeting.**

Two Petitions for Rule Change will be discussed at the May Commission meeting. Both petitioners submitted alternatives to repealing the Petition/Variance Process for bingo licensees. Staff does not support either Petition for several reasons, including the proposals would make the adjusted cash flow petition/variance process even more complicated and cumbersome.

Administrative Case Update

By: Robin Brown, Paralegal, Communications and Legal Division

Name	Violation	Case Outcome
Café Arizona, Federal Way	Internal Control Violations, failure to disclose loans and changes in management, and allowing an unlicensed employee to perform card room employee activities.	The licensee agreed to a fifteen-day suspension. Five days were deferred for one year. The remaining ten days were vacated by a \$4,983 fine, and reimbursement of the Commission's investigative and administrative costs (costs) of \$4,230.
Freddie's Club Casino, Fife	Failure to make weekly deposits to its progressive jackpot account, and failure to maintain sufficient balances in that account.	In October 2002, the licensee filed for Chapter 11 Bankruptcy protection. The licensee agreed to a thirteen-day suspension. Six days were deferred for one year, with the remaining seven days vacated by payment of a \$25,500 fine, which will be paid as part of the bankruptcy reorganization plan approved by the Bankruptcy Court.
New Phoenix, La Center	Failure to disclose loans	The licensee agreed to a three-day suspension. One day was deferred for one year. The remaining two days were vacated by payment of a \$24,130 fine, and reimbursement of the Commission's costs of \$390.
River Bend Casino, Spokane	Extension of credit	Prior to hearing, the licensee agreed to surrender its punchboard/pull-tab and card room licenses for one year.
River Bend Casino, Spokane	Extension of credit	Prior to hearing, the licensee agreed to surrender its punchboard/pull-tab and card room licenses for one year.
Royal Club Casino, King County	Allowing an employee to conduct gambling activities without first submitting the required application, and providing misleading statements to Commission staff regarding that employee.	The licensee agreed to a ten-day suspension. Seven days of that suspension were deferred for one year. The remaining three days were vacated a \$20,830 fine, and reimbursement of the Commission's costs of \$1,575.
Big Al's Casino, Everett	Allowing a Card Room Employee (CRE) (Jason Antonides) to conduct a dealer's school on the premises, without first obtaining the required services supplier license.	The licensee agreed to a two-day suspension. One day of the suspension was deferred for one year. The remaining day was vacated by payment of a \$1,000 fine, and reimbursement of the Commission's costs of \$2,387.
Great Wall Casino, Tacoma	Allowing a CRE to work with an expired license	The licensee agreed to a one-day suspension, which was vacated by payment of a \$500 fine, and reimbursement of the Commission's costs of \$770.
Sparky's Bar & Grill, Shoreline	Assumption of the ownership and control of the Grove Tavern without the required licenses, and making material misrepresentations to staff regarding the licensee's income, and the status of his local, state and federal taxes.	A hearing was held on August 22, 2002. The Administrative Law Judge (ALJ) issued an Order revoking the licensee's existing licenses, and denying its application for a house-banked card room license. The licensee filed a Petition for Review, which was heard at the January 2003, Commission meeting, where the Commissioners issued their Final Order upholding the ALJ's decision.
Gasperetti's Distributing, Inc., Tacoma	Failure to assign a top prize winning number to a substitute flare, with the result that the winning number assigned by the licensee was not contained in the pull-tab game.	The licensee agreed to a five-day suspension. Two days of the suspension were deferred for one year. The remaining three days were vacated by a \$7,878 fine, and reimbursement of the Commission's costs of \$1,050. The licensee was also required to identify all operators to whom it sold the defective game and offer a refund or exchange for the return of the game. In addition, the licensee agreed to provide mandatory, in-house training to its distributors regarding WAC 230-330-106.

Administrative Case Update

Name	Violation	Case Outcome
Pee Wee Tavern, Tacoma	Operating without a valid license	The licensee agreed to a fifteen-day suspension. Five days of the suspension were deferred for one year. The remaining ten days were vacated by payment of a \$482 fine, and reimbursement of the Commission's costs of \$1,219.
Jason Antonides. CRE, Big Al's Casino, Everett	Conducting a dealer's school without first obtaining the required services supplier license	The licensee agreed to a two-day suspension, which was vacated by payment of a \$500 fine.
Beverly Milligan. CRE formerly employed at Jimmy Jack's Casino; and owner of Bevic Management, Inc.	Causing another to violate Commission rules, willful disregard of Commission rules, providing false and/or misleading information to Commission staff, and failing to provide required documentation regarding the ownership of Bevic Management.	Following a hearing, the ALJ issued an order revoking Ms. Milligan's license for five years. Ms. Milligan timely filed a Petition for Review, which was heard at the November 2002, Commission meeting. The Commission upheld the ALJ's ruling. Ms. Milligan filed a Motion for Reconsideration. A hearing on the Motion was held in December 2002, and the Commission agreed to modify the Order to allow Ms. Milligan to reapply for a license after August 1, 2004.
Marilyn Mills (Applicant, formerly employed at Italo's Restaurant, Shoreline)	Conducting CRE duties without first submitting the required application, despite being told by Commission agents on two separate occasions that a license was required.	A hearing was held on December 17, 2002. The ALJ issued an Order denying Ms. Mills' application. She did not file a Petition for Review. Therefore, the Order became final.
Justin Skaggs. CRE formerly employed at Sidney's Restaurant and Sports Bar, Aberdeen	Criminal History and failure to disclose criminal history	A hearing was held on December 19, 2002. The ALJ issued an Order revoking Mr. Skaggs' license. Mr. Skaggs did not file an appeal. Therefore, the ALJ's Order became final.
Seattle Skating Club, Everett	Failure to meet adjusted cash flow requirements when averaged over four consecutive quarters	The licensee submitted a Petition for Variance of its Adjusted Cash Flow requirements, which was heard at the November 2002, Commission meeting. The Commissioners granted the licensee's request. However, at the January 2003, Commission meeting, staff made a motion to set aside the Commission's November ruling, due to new information that was not available to staff at the November meeting. The Commissioners granted staff's motion, and ordered that the licensee's request for a variance be reheard at their February meeting. Prior to the February meeting, the licensee stopped operating bingo, voluntarily surrendered its license, and withdrew its request for a variance.
Yakima YWCA, Union Gap	Failure to meet adjusted cash flow requirements when averaged over four consecutive quarters	The licensee submitted a Petition for Variance, which was heard at the November 2002, Commission meeting. The Commissioners denied the licensee's Petition. In December, the licensee filed a Motion for Reconsideration of the Commission's denial of its variance request, which was heard at the January 2003, Commission meeting. The Commissioners granted the licensee's motion, and ordered that the matter be reheard at the February Commission meeting. However, prior to the February meeting, the licensee stopped operating bingo, voluntarily surrendered its license, and withdrew its request for a variance.

For Operational or Regulatory Questions, please call our field office closest to you.

Bellingham	(360) 738-6208	Spokane	(509) 329-3666
Everett	(425) 339-1728	Tacoma	(253) 471-5312
Kennewick	(509) 734-7412	Wenatchee	(509) 662-0435
Renton	(425) 277-7014	Yakima	(509) 575-2820

Headquarters – Lacey

(800) 345-2529 (360) 486-3440 TDD: (360) 486-3637

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The same is true for HB 1948, the bill that would allow machine gambling, similar to those currently run by the Tribes. The Commission issued three additional position statements as follows:

Bill	House Bill 1397 and 1667	House Bill 1227	House Bill 1637
Brief Description	Relates to local government land use and zoning of gambling activities.	Use of vending machines in promotional contests of chance.	Allows the Commission to support problem gambling.
Commission Position	Oppose: The best interests of the state of Washington support the existing law.	Support: This clarification of law would reduce regulatory costs.	Support: The Commission recognizes the importance of the work with problem

To view the entire position statement and bill text, visit our website at wsgc.wa.gov.

If you have general questions or concerns, you may contact Ed Fleisher at (800) 345-2529, extension 3449, or Amy Patjens at extension 3463. If you have specific comments you want the legislature to consider, please contact your local senator or representative directly.

Washington State Gambling Commission

Mailing Address: P.O. Box 42400, Olympia, WA 98504-2400

Location: 4565 7th Avenue SE, Lacey, WA 98503

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